

Message Text

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PAGE 01 CAIRO 11009 011455Z
ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
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R 011309Z JUN 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 6827

C O N F I D E N T I A L CAIRO 11009

E.O. 11652: GDS
TAGS: EFIN
SUBJECT: MINFIN ON GOE BUDGET DEFICIT

REF: CAIRO 10256

1. MINFIN HAMED, AT CONFERENCE OF GOE MINISTRY BUDGET DIRECTORS WHICH CLOSED JUNE 30, REPORTEDLY EXCORIATED ASSEMBLED GROUP FOR OVERSPENDING BY GOVT. DEPARTMENTS. ACCORDING PRESS REPORTS, HAMED SAID INVESTMENT EXPENDITURES BY CERTAIN DEPARTMENTS HAD EXCEEDED ALLOCATED FUNDS BY LE 400 MILLION, THUS INCREASING DEFICIT BUDGETED AT BEGINNING OF YEAR BY 100 PERCENT, TO TOTAL OF LE 800 MILLION. HE NOTED INFLATIONARY EFFECT ON BANKING SYSTEM AND REMARKED GOE IS THEREBY FACED WITH PROBLEMS IN REPAYMENT OF DOMESTIC BANK DEBTS. HAMED IS REPORTED TO HAVE SAID IN THIS CONNECTION THAT MATTER WILL BE PUT TO PEOPLES ASSEMBLY AS CONSTITUTIONAL VIOLATION FOR WHICH CONCERNED DEPARTMENTS WILL BE HELD ACCOUNTABLE.

2. CALLING FOR RATIONALIZATION OF SPENDING AND END TO GOVERNMENT EXTRAVAGANCE, MINFIN ANNOUNCED TO CONFERENCE THAT MILITARY, DEVELOPMENT, RECONSTRUCTION AND BASIC SUBSIDY COSTS CONSTITUTE BURDEN ON STATE AMOUNTING TO
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 11009 011455Z

200 PERCENT OF REVENUES. HE REPORTEDLY SINGLED OUT SUBSIDIES ON BASIC COMMODITIES AS PARTICULARLY ONEROUS, NOTING THAT COST REQUIRES 35 PERCENT OF TOTAL GOE REVENUES. THRUST OF HAMED'S REMARKS EVIDENTLY WAS NEED FOR END OF EXCESSIVE SPENDING ON NONPRODUCTIVE ITEMS IN ORDER TO MAKE FUNDS AVAILABLE FOR DEVELOPMENT PURPOSE.

3. COMMENT. CONTENT OF MINFIN'S STATEMENT, IF REPORTED ACCURATELY, IS TRULY DISTURBING, INDICATING AS IT DOES LACK OF GOE CONTROLS TO ENFORCE BUDGETARY DISCIPLINE AND THUS INABILITY TO COMPLY WITH IMPORTANT IMF STRICTURES ON DOMESTIC BORROWING LIMITS (I.E., LE 400 MILLION IN 1977). SOME SOLACE CAN BE DRAWN FROM FACT THAT HE MADE ANNOUNCEMENT IN FORUM OF GOE BUDETEERS AND THAT IT WAS WIDELY REPORTED, BUT TENOR OF HIS REMARKS HAVE SERIOUS IMPLICATIONS FOR FUTURE OF ECONOMIC REFORM EFFORTS.

4. IT IS NOT CLEAR WHETHER MINISTER'S COMMENTS ARE RELATED TO EARLIER REPORTS OF SPENDING PRESSURES WITHIN GOE, PRESSURES WHICH HE TOLD AMBASSADOR HE, DEPPRIMIN KAISOUNI, AND MINECON EL SAYEH HAD RESISTED, WITH SUPPORT OF PM SALEM (REFTEL). WE INTEND TO PURSUE GENERAL SUBJECT DIRECTLY WITH MIN HAMED AS SOON AS FEASIBLE. EILTS

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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 01-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
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